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Cabinet Proposes 6.9-Percent Ceiling on Japan's Defense Spending

Constrained by its goal of pruning bulging government deficits, the cabinet of Prime Minister Yasuhiro Nakasone last week announced its decision to place a 6.88-percent cap on fiscal 1984's defense spending increase — a decision which was controversial on both sides of the Pacific. In view of the fact that the general framework of fiscal 1984 budget requests called for a cut in discretionary government expenditures of 10 percent below the current fiscal budget (see JEI Report No. 26B, July 15, 1983), the other ministries

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1981	1982	January-May 1982	January-May 1983	March 1983	April 1983	May 1983
Japan's Balance of Payments							
Trade Balance	$ 19,967	$ 18,079	$ 5,233	$ 9,847*	$ 2,856*	$ 2,755*	$ 2,708*
Exports (f.o.b.)	149,522	137,663	58,540	56,846*	12,962*	12,054*	11,478*
Imports (f.o.b.)	129,555	119,584	53,307	46,999*	10,106*	9,299*	8,770*
Current Account Balance	4,770	6,850	-203	5,371*	[illegible],913*	2,300*	1,655*
Long-Term Capital (net)	-9,672	-14,969	-8,352	-5,195*	-2,205*	-2,033*	-71*
Overall Balance	-2,144	-4,971	-5,203	685	597	-1,055	2,048
International Reserves (end of period)	28,403	23,262	26,543	24,484	24,015	24,272	24,484
Japan's Customs Clearance Trade							
Trade Balance	8,741	6,900	260	5,577*	2,033	2,026	1,813*
Exports (f.o.b.)	152,030	138,831	59,369	57,113*	13,002	12,203	11,645*
Cars	18,445	18,015	7,817	8,142*	1,415	1,830	1,654*
Steel	16,669	15,645	6,934	4,980*	1,140	1,002	1,018*
Imports (c.i.f.)	143,290	131,931	59,109	51,536*	10,969	10,177	9,832*
Crude Oil	53,343	46,274	21,609	17,569*	3,791	3,346	2,721*
Japan-U.S. Trade							
Trade Balance	13,312	12,151	5,031	5,663*	1,268	1,545	1,145*
Exports (f.o.b.)	38,609	36,330	15,431	15,251*	3,253	3,410	3,237*
Imports (c.i.f.)	25,297	24,179	10,400	9,588*	1,985	1,865	2,091*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	¥219.90	¥235.00	---	---	¥239.40	¥237.70	¥238.30
U.S.-Japan Trade							
Trade Balance	-15,789	-16,778	-7,926	-7,724	-1,659	-1,328	-1,914
Exports (f.a.s)	21,823	20,966	8,639	8,105	1,781	1,752	1,547
Industrial Supplies	8,983	9,173	3,978	3,474	755	838	585
Food and Feed	5,896	4,971	1,953	1,991	407	416	415
Capital Goods	4,767	4,434	1,733	1,713	412	325	368
Consumer Goods	1,318	1,356	560	565	126	118	108
Imports (Customs)	37,612	37,744	16,564	15,829	3,440	3,080	3,461
Automotive Products	12,950	12,890	5,642	5,872	1,282	1,002	1,401
Industrial Supplies	7,179	6,795	3,271	2,115	452	414	444
Consumer Goods	8,340	7,842	3,338	3,097	688	665	586
Capital Goods	8,589	9,530	3,972	4,477	962	940	975

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1981	1982	January-April 1982	January-April 1983	February 1983	March 1983	April 1983
Discount Rate (end of period)	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Outstanding Money Supply	8.9%	9.2%	10.3%	7.6%	7.4%	7.6%	7.6%
Industrial Production	1.0%	0.3%	2.5%	-0.4%	-1.3%	-0.1%	1.1%
Manufacturing Operating Rate	-4.6%	-2.6%	-1.9%	-2.5%	-3.7%	-1.6%	-1.6%
Number of Bankruptcies	-1.5%	-2.8%	-2.9%	4.4%	4.7%	10.3%	0.8%
Residential Construction Starts	-9.2%	-0.5%	-6.0%	2.0%*	5.2%	-7.0%	-3.8%*
Job Openings to Applications (ratio)	0.68	0.61	0.65	0.60	0.59	0.61	0.60
Nominal Wages	5.3%	4.5%	5.0%	5.2%	5.9%	5.3%	3.8%
Labor Productivity	3.5%	1.6%*	2.9%	n.a.	n.a.	n.a.	n.a.
Wholesale Prices	1.4%	1.8%	2.5%	-1.1%	-0.7%	-1.4%	-2.2%
Consumer Prices	4.9%	2.7%	3.0%	2.1%	1.9%	2.3%	2.0%
Yen-Based Export Prices	1.2%	3.9%	7.3%	-5.5%	-5.5%	-6.2%	-6.6%
Yen-Based Import Prices	1.6%	7.9%	8.8%	-2.0%	-0.3%	-4.0%	-6.1%

*Preliminary

For Japan's most recent GNP data, see JEI Report No. 25B, July 1, 1983.